



COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

Virginia Transportation Infrastructure
Bank (VTIB)

Sean T. Connaughton
Secretary of Transportation
September 8, 2010



Current Situation

- **Public funds for transportation are insufficient**
- **Private funding is limited**
- **Credit is becoming essential**
 - **State restricted by debt capacity**
 - **Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program is oversubscribed**
 - **State's federally chartered State Infrastructure Bank is small**
 - **Virginia Toll Facilities Revolving Account has modest resources**

Transportation Infrastructure Infrastructure and Innovation Act of 1998 (TIFIA)

- Can provide up to one third of costs
- 30 Year loans with a 4.6% interest rate
- It is estimated that for every \$1 in TIFIA loan, it leverages \$10 in credit assistance and \$30 in loan assistance
- I495 Beltway HOT Lanes project has a TIFIA loan
- TIFIA applications currently pending for I95/395 HOT Lanes, Midtown Tunnel, and Dominion Boulevard
- Applications for TIFIA far exceed available funds

Proposed - VTIB

- **Amend Code to establish Virginia Transportation Infrastructure Bank (VTIB)**
- **Capitalized solely with state funds**
- **Not subject to federal regulations**
 - **Reduces project costs**
 - **More timely project delivery**
- **Similar to Literary Fund and Virginia Resources Authority Loans**

Function - VTIB

- **Low interest loans with maturity date of 20-30 years**
- **Direct loans to localities, governmental entities and authorities, railroads, transit companies, and private sector companies**
- **Construction and capital maintenance of the Commonwealth's transportation infrastructure and transit systems**

Funding - VTIB

- **Initial Funding –**
 - **Proceeds from privatization of ABC stores**
- **Additional funding –**
 - **Year-end General Revenues – formula driven**
 - **Appropriations of the General Assembly**
 - **Possible dedicated revenue streams**
- **Repaying Loans –**
 - **Tolls, user fees, other dedicated revenue (special assessments, tax increment financing), local taxes and fees**

Eligibility - VTIB

- **Project Selection**
 - Dependent on quality of application
 - Application process to be developed
 - Application criteria – creditworthiness, regional or statewide significance, economic benefits, availability of dedicated revenue sources, identified in State or regionally planning process
- **Projects**
 - Construction, reconstruction, rehabilitation, or replacement of any interstate, state highway, toll road, tunnel, local road, or bridge within the jurisdiction of the Commonwealth
 - Construction, reconstruction, rehabilitation, replacement, or acquisition of any transit and passenger or freight rail facility or vehicle
 - Port Facilities

Grants - VTIB

- **Counties, cities, and towns may apply for grants**
- **Limited use**
 - **Not repaid – no revolving funds**
- **Projects of local and regional significance**
 - **Rural projects will be given priority**
- **Economic benefit – beyond job creation during construction**

Leveraging - VTIB

- Interest subsidies
- Subsidies for PPTA projects
- Direct loans
- Diversified loan portfolio
- Credit enhancement
- Leverage in capital markets
- Bond issuance
- Sum sufficiency

Project Savings

Financing \$100 million with Private Activity Bonds priced to yield 7%* would incur interest costs of approximately \$140 million, assuming a term of 20 years with annual payments and bullet principal payments at maturity.

State Infrastructure Bank Loan Alternatives

SIB Interest Rate	Interest Cost with SIB	Potential Project Savings
6%	\$120 Million	\$20 Million
5%	\$100 Million	\$40 Million
4%	\$80 Million	\$60 Million
3%	\$60 Million	\$80 Million
2%	\$40 Million	\$100 Million

*Based on last major toll road financing, Texas Private Activity Bond Surface Transportation Corporation (LBJ/IH-635), June 2010, Private Activity Bonds priced to yield 7-7.25%

Benefits - VTIB

- Provides financing to projects of any size
- Revolving nature
 - Projects completed - loans repaid – funds lent for other projects
- Leverage federal and other State resources
- Attract public and private investment in transportation
- Will not implicate the state's creditworthiness

Questions?